Executing Mergers & Acquisitons

Interview with
Patricia Ross, Chief Executive Officer,
Bayer Diagnostics Asia

Most CEOs aren't afraid of change. But few embrace change the way Pat Ross, CEO of Bayer Diagnostics in Asia, has. Aside from Asia's sometimes topsy-turvy economic climate, Ross has steered her company through two acquisitions over the past ten years from Ciba-Corning to Chiron to Bayer Diagnostics. And each time her company, like a butterfly breaking out of its chrysalis again and again, emerged stronger and with better market position than before.

How was this possible? For one, Ross had a blueprint for her company's direction and a profile of what it wanted to be. Her strongly defined strategy, which had been in place since 1992, and was developed with the help of Hong Kong consultancy Strategic Thinking Group, meant that she could show what her company had achieved and what it planned to accomplish. "We were able to present our position both historically and from a future point of view," says Ross. She was also able to show the results that her company had achieved based on that strategy and its footprint for the future.

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Not only that, Ross has a communication system within her company that is somewhat unique to Asia. Evaluation is spread down the line, all the way to the factory worker and back up to her, using a strategic scorecard. And monthly communication sessions are mandatory for all staff. "All issues are openly discussed," says Ross. "My belief is that you can't communicate enough. Everything that is going on, whether there are changes coming forward, obviously the results, the strategic issues, and issues around safety and quality."

Ross also set up teams of people from a cross-section of the company to participate in the decision-making process. The company is managed by an executive committee, which consists of eight people, all of whom are functional or geographic heads. There is also a strategic team that attends the strategic sessions. That consists of about 12 cross-functional people within different levels of the company, says Ross.

Ross says that most of her employees can define the company's strategy, its profile and what it wants to be. "It's a little more complicated now that we're Bayer," says Ross. The people from Bayer Diagnostics came from a very large company and to a certain extent were doing their business at Bayer very directly already, she says. "We put the formula of how Chiron was doing business in Asia much more in to place within Bayer. Now it's more of a struggle in the short term for the people within Bayer to understand that having third party support is not a loss of face. Rather, as we begin to go through what is a difficult time, from an economic point of view, they're now seeing that our profitability is growing, and our revenue line is growing 5 or 10 percent. This is not what we'd normally look at, which would be 20 or 25 percent, but it is okay in this environment. But the profitability is growing 30 and 40 percent. And I think as they see this and they also realize that their jobs are all protected because of that, seeing is believing. Now they're coming around and saying, 'Ahh, there is sense within this strategic direction and this strategic profile. And it's not enough just to say, 'I am Bayer or I am X major multinational so I can just throw money into markets and that's what's expected and nobody's going to mind if we don't make a return.'

So just how has her company's strategy helped it weather so much change? "Our experience with having the strategy, which by the way we have updated three or four times," says Ross, "is that, when we come across situations [of change] we are always coming at it from the perspective of this is who we are today and this is our profile." Ross says that there is enough flexibility that when your profile is changed, you can actually add value to your strategy. "By becoming a larger diagnostic company as in the case with Bayer Diagnostics," says Ross, "then you can look at what is the value that that change can bring to your strategy. Not that you take it and throw it out, but you say 'Here is a profile and a footprint that has value. It was done under these particular circumstances.' Now when we look at the circumstances changing for whatever reason, what is the extra value that these changes can bring, so it strengthens the strategic position we have taken but also allows us to expand that strategic position?"

In fact, Ross credits her company's strategy with the fact that, after Bayer's integration with Chiron, when faced with two duplicate organizations in Asia, hers was the one that ultimately prevailed. "In the initial meetings to define how we were going to integrate," says Ross, "I think we were at a major advantage because we were sitting with a strategic plan and a strategic vision for where we wanted to be."

Bayer's acquisition of Chiron didn't affect the way her company wanted to do business. "Our goal changed in terms of size and market share, and profitability in terms of how quickly we could get there," says Ross. "We were adding a very synergistic company so automatically out of the pure acquisition our market share grew. It allowed us to accelerate market share and profitability. It also allowed us to accelerate some of the key customer focused activities that we wanted to do that we really couldn't afford to invest in before as fast. So the two together gave us a much better critical mass that made the whole integration not just a cost saving exercise, but allowed us to focus on some major customer support investments that we wanted to do as well."

The end result, says Ross, is that the company is much more customer focused now. It is much more grounded in key market areas, is in a much stronger position, and is much more profitable. "That allows us to accelerate the investments we want to make in the future, as well as give a better return to our shareholders, which is always important," she adds with a smile.

A satisfied Ross says: "The actual outcome of how we integrated Bayer with Chiron was ultimately the blessing on the fact that our strategic position was correct. I think that was one of its biggest challenges, to be tested where we were the acquired company."